# Effect of Budgeting and Planning Control Process on Multinational Organization in Nigeria

**JACOB, Jeremiah**

Department of Accounting
Bingham University,
Karu, Nasarawa State.
E – Mail**:** meetjj4real@yahoo.com, Phone No: +2348039498577

**Abstract**

*The study assessed budgeting planning and control process in multinational organization in Nigeria. The study adopted descriptive survey design; while structured questionnaires were administered to 54 respondents to generate data meant for the empirical analysis. These data where analyzed using multiple regression analysis; while the hypotheses raised for the study where tested using t-values obtained in the regression results. Findings from the study showed that budget planning has a significant impact on multinational organization performance. In addition, monitoring and control have a positive and significant influence on multinational organization performance. Above all, findings from the study revealed that participative budgeting has a significant impact on multinational organization performance. Based on the findings, the study recommends that budgets/ budgetary control should be made the sole tool and mechanism for resource allocation and control to ensure multinational organizational growth. Lower level managers and staffs who are directly involved in the implementation of the budget should be co-opted into the budget setting process to make it more participatory in nature. This will help the organization meet its target and thereby eliminating undue variances. There is the need to adopt a budgetary system that enhances adequate planning with strict adherence to implementation, which cuts across the finance, production, administration and marketing.*

Keywords: Budget, Budget control, Budget Planning and Multinational Organization

## 1. INTRODUCTION

The decision as to how to distribute limited financial and non-financial resources, in an effective and efficient manner, is an important challenge in all organisations. In most large and complex organisations, this task would be nearly impossible without budgeting. Without effective budget analysis and feedback about budgetary problems, many organisations would become bankrupt. Some of the problems arise from inadequate data to formulate and implement a proper budget; and nonexistence of well-defined structure, which leads to overlap-ping of duties. These deficiencies can therefore be ad-dressed through the use of budgeting technique. A budget tells where and how the organisation will spend money and where the money will come from to pay these expenses. Budgets also set limits. Imagine how chaotic an industry or country would be if everyone was allowed to spend as much as they wished on whatever they wanted. Besides setting limits, budgets also enable the assurance that the most important needs of a country are met first and less important needs are deferred until there are sufficient funds in which to pay for them (Andrews & Hill,2013). A budget has been defined by Chartered Institute of Management Accountants (CIMA), as "a financial or qualitative statement prepared and approved prior to a defined period of time for the purpose of attaining a given objective. It may include income, expenditure and the employment of capital". CIMA also defined budgetary control as "the establishment of budgets relating the responsibilities of executives to the requirements of a policy and the continuous comparisons of actual with budgeted results, either to secure by individual action the objectives of that policy or to provide a basis for its revision (Appleford, 2016).

Batty (2012), views budgetary control as a system which uses budgets as a means of planning and control-ling all aspects of producing and or selling commodities or services. This is true as we tend to prepare revenue and expenditure variance analysis to be able to deduce areas of divergencies for which the management needs to watch to avoid embarrassment as any adverse variance will translate into inability to meet the corporate objective which will eventually lead to disagreement with stakeholders. For any organisation to make progress or achieve its goals, it needs capital and to be able to make profit, it requires planning of its resources, which can only be achieved through budgeting, hence budgeting serves as a tool for financial planning. Pandy (2015) has observed that although many organisation complain about budget and its process, budgets are indispensable in a large modern organisation as the benefit that occurs from budgets and its control is much greater than the cost involved. In view of this, the fact that resources are scarce, coupled with high competition that permeate most businesses, budgets when rightly applied, would be an effective tool for planning and control, especially in large corporation. Therefore, it can be said that budget planning and control is a parameter which measures the actual achievement of people, departments, ministries and firms, while budgetary control ensures that actual results are positively or negatively in accordance with the overall financial and policy objectives of the establishment.

Despite the presence of budget office and budget monitoring teams in both private and public sector in Nigeria, the preparation and execution of budget in the has been seen in most cases as ineffective. It is based on the above that the author undertakes this study to asses budgeting planning and control process in multinational organization in Nigeria. The following objectives guide the paper:

- **i.** To examine the impact of budget planning on multinational organization performance
- **ii.** To analyse the influence of monitoring and control on multinational organization performance
- **iii.** To investigate the impact of participative budgeting on multinational organization performance

Inline with the objectives of this paper, the following hypotheses were tested:

**H01:** Budget planning has no significant impact on multinational organization performance
**H02:** Monitoring and control has no significant influence on multinational organization performance
**H03:** Participative budgeting has no significant impact on multinational organization performance

## 2. LITERATURE REVIEW

### 2.1 Conceptual Framework

#### 2.1.1 Concepts of Budget

Budgets are statements of estimated resources set apart for execution of planned works or activities over a specified period of time. It is a blue print of the outcome of the organisation's operation in a financial year. It indicates the qualitative parameters of an organisation's performance, while budgetary control, according to Terry, is a process of finding out what is being done and involves the act of comparing the actual result with the budget to verify accomplishment or remedy the differences. Dimock (2015) is of the view that budget is a financial plan summarising the financial experience of the past, stating the current plan and projecting it over a specified period of time in future". Therefore, a budget is a keystone of financial administration and the various operations in the field of public finance are correlated through the instrument of budget. A budget is a financial report of statement and proposals which are periodically placed before the legislature for its approval and sanction. It is the report of the entire financial operations of the government and gives us a glimpse of future fiscal policy.

#### 2.1.2 Concept of Budgetary Controls

Budgeting and budgeting control occupy an important place among techniques used in planning and control functions of an organization. In budgeting, the focus is not only toprepare the budget but more importantly to have a follow-up operation for budgeting and act according to known data. In addition, budgets are also known as a financial expression of a country's plan for a period of time (Falk, 2014). Budgetary control is the system of controlling costs through budgets. It involves comparison of actual performance with the budgeted with the view of ascertaining whether what was planned agrees with actual performance. If deviations occur reasons for the difference are ascertained and recommendation of remedial action to match actual performance with plans is done. The basic objectives of budgetary control are planning, coordination and control. It's difficult to discuss one without mentioning the other (Arora, 2015). According to Drury (2016), budgetary monitoring and control process is a systematic and continuous one which, is characterized by the following stages: Establishing targeted performance or level of activity for each department of the organization by way of setting targets to be achieved enhances the monitoring of the organizations performance. Communicating details of the budgetary policy to all the stakeholders for easy appreciation of the set targets and objectives enhances ownership of the results achieved at end of the day. Monitoring actual revenue or cost data this is done by way of continuous comparison of actual performance with the budgeted performance and regular reporting of variances to the responsible officers. This helps in asserting the reasons for the differences between actual and budgeted performance and taking the suitable corrective action.

Briston (2011) says that financial control and monitoring ensures efficient and cost-effective program implementation within a system of accountability. He however, notes that the existing financial control arrangements must be complemented by further improvements in the overall program monitoring for better budget implementation in accordance with approved work Programmes. Comparison is made between plans and actual performance, the difference between the two is reported to management for taking corrective action. This control process is not possible without planning (Lewis, 2016).By means of budgetary control that is, comparing actual results with planned results and reporting on the variations, a control frame is set for management. It helps expenditure to be kept within the planned limits (Alesina & Perotti, 2016). Carr (2010) argues that in order to achieve the expected output results, monitoring and evaluation is necessary. Monitoring and evaluation maintain stability under many competing forces, hence important to lower local government effectiveness (Hokal & Shaw, 1999). However, Hokal and Shaw continue to note that monitoring and evaluation requires only raw data to test and examine performance which is time consuming yet contributes little to Performance. An effective control system helps accomplish the purpose for which it is designed. Effective control systems rely on good information, are well communicated, well-coordinated, timely and economical to the organization (Arora, 2015).

**2.1.3 Concept of Budget Planning**

Planning as part of the Budgeting system involves a long range planning, strategic planning and short term planning.Further, he emphasizes that short term budgeting must accept the environment of today, and the physical human and financial resources at present available to the organization(Sizer, 2009). Planning involves selecting objectives and action to achieve them. It is looking ahead and preparing for it, which links it to budgeting. Through planning the organization is able to assess where it is supposed to be in terms of objectives and goals. This comes from the information system (Lewis, 2016).
Sound planning mentions priorities and the planning control cycle. Since there are so many activities to be performed, it's imperative that they are listed in order of preference. Budgets are put in place in advance of the budget periods based on anticipated set of circumstances or environment. The major decisions are made as part of the long-term planning process (Selznick, 2008). Benefits of budgeting accrue to the whole organization if both the short- and long-term consequences of the budgets are considered (Otley, 2017). However, the annual budgeting process leads to the refinement of those plans, since managers must produce detailed plans for the implementation of the long-range plans. Without the annual budgeting process, the pressures of day-to-day operating problems may tempt managers not to plan for future operations (Scott, 2017).

**2.1.4 Conceptual Multinational Corporation (MNCs)**

There are myriads of definitions in connection with multinational corporations; it is sufficient to note a number of its characteristics. In the first place, multinational corporations make direct investments in foreign countries. MNCs are characterized by a parent firm and a cluster of subsidiaries or branches in various countries with a common pool of managerial, financial, and technical resources. The parent firm operates the whole in terms of a coordinated global strategy. Purchasing, production, marketing, research, etc., are organized and managed by the parent in order to achieve its long-term goal of corporate growth. Multinational Corporations have been broadly defined as business firms that uphold value added-holdings overseas. According to Spero and Hart (1999) a multinational corporation (MNC) is a business enterprise that maintains direct investments overseas and that upholds value-added holdings in more than one country. An enterprise is not truly multinational if it only operates in overseas or as a contractor to foreign firms. A multinational firm sends abroad a package of capital, technology, managerial talent, and marketing skills to carry out production in foreign countries. Dunning (2008) supports the same view and defined MNC as an enterprise that engages in foreign direct investment (FDI) and owns or, in some way, controls value added holdings in more than one country. Hennart (2008) defines MNC in a different way by envisaging it as a privately owned institution devised to organize, through employment contracts, interdependencies between individuals located in more than one country. Multinational Corporations according to Kogut and Zander (2013) are economic organizations that grow from its national origins to spanning across borders.

Hill (2015) views Multinational Enterprise as any business that has productive activities in two or more countries. According to him; certain characteristics of Multinational Corporations should be identified at the start since they serve, in part, as their defining features. Multinational Corporations are usually very large corporate entities that while having their base of operations in one nation—the "home nation"—carries out and conducts business in at least one other, but usually many nations, referred to as "host nations. Kim (2010) in agreement with this proposition envisages Multinational Corporations as very large entities having a global presence and reach. Multinational corporations (MNCs) can spur economic activities in developing countries and provide an opportunity to improve the qualities of life, economic growth, and regional and global commons Litvin (2012). According to Osuagwa and Ezie (2013) 'the principal objective of multinational corporations is to secure the least costly production of goods for world markets. This goal may be achieved through acquiring the most efficient locations for production facilities or obtaining taxation concession from host governments. This objective confirms the views of the Marxist who see the MNCs as progressive agents of capitalism. Multinational company lies in the fact that its managerial headquarter is located in one country while the company carries out operation in a number of other countries as well.

Okwandu and Jaja (2011) define it as a large enterprise with operations and divisions spread over several countries but controlled by a central headquarters. Multinational Corporation is an enterprise which possesses at least one unit of production in a foreign country Meier and Schier (2001). MNC is an organization owing or controlling enterprises or physical and financial assets in at least two countries of global economy and opting for a multi-domestic strategy founded on social-economic differences of these countries as a reply to specific local demand. The multinational corporation or enterprise generally consists of the parent company (the resident of one country) and at least one affiliate (resident of another country). Andreff (2013) defines the MNC in a more theoretical way as an enterprise whose capital is acquired in the process of international accumulation. Porter (1990) defined Multinational Company (MNC) as a company with operations in more than one country. It can also be referred to as an international corporation. The international Labor Organization (ILO) has defined a MNC as a corporation that has its management headquarters in one country, known as the home country, and operates in several other countries, known as host countries. The operations outside the company's home country may be linked to the parent by merger, operated as subsidiaries, or have considerable autonomy.

## 2.2 Empirical Review

Carolyn (2017) examined the association between effects of budgetary control on performance, using a sample of large U.S. cities over 2013-14 timeframe. Within this context they examined whether the tightness of budgetary controls or effective level of budgetary control within the cities as measured by budget variance contribute to performance as measured by bond rating and found that effective level of budgetary control is significantly and positively related to bond rating. Silva & Jayamaha (2012) study sought to evaluate budgetary process of apparel industry in Sri Lanka and see whether budgetary process has significant impact on performance of such industry. The budgetary process of apparel industry was assessed by using variables such as planning, coordination, control, communication and evaluation. The performance of apparel industry in Sri Lanka was examined by using Return on Assets. Based on the data extracted from apparel industry's financial statements, correlation coefficients and regression analysis showed that budgetary process have significant associations with the organizational performance of apparel industry in Sri Lanka. This confirms that efficient apparel companies maintain sound budgetary process which contributes to higher levels of organizational performance hence a positive relationship.

Inadequate budgetary controls lead to objectives not being clear and performance not being achieved or satisfactory. This reduces output because employees do not know or are doubtful about what to do, when and how to do it. They spend a lot of time seeking clarifications from executives. Thus leading to delays in identification of deviations from plans, which lead to failure in goal achievement and hence poor performance (Phyrr, 2010).

Brownell (2012) suggests that when budgetary control is high, budgetary participation should increase accordingly. When budgeting control is riding subordinates would want to know assessment criteria in details. Therefore, as the budgetary control increases, budgetary participation of subordinates is also expected to increase. He advocates that budgetary participation is an important moderating variable in the relations between type of budgetary control and subordinates performance. In his findings, budget application that includes budgetary control has no direct effect on performance, while budgetary participation affects performance directly and negatively. But in case where budgetary control is high, there is a meaningful positive relation between performance and budgetary participation. Study by Brownell (2012) suggested that participation in the budgeting process moderates the effects of reliance on budget controls so that high (low) reliance on budget controls interacting with (low) budgetary participation is associated with higher performance.

Hirst (2017) though failed to replicate Brownell's findings and Dunk (2009) in an extension of these studies found contradictory results that high (low) reliance on budget controls interacting with high (low) budgetary participation leads to low performance. These studies are not entirely comparable, but they do indicate that the issue of the effectiveness of budget controls, and potential moderating factors, is far from settled.

Differing from Brownell &Dunk (2014), the study conducted by Otley & Pollanen (2015) reveals that budgetary participation, control and task ambiguity directly affects performance negatively but in situations where they combined interaction of variables, the effects differ. According to the study, while budgetary participation, control and task ambiguity affect performance negatively, in situations where budgetary control is high, participation makes positive contribution to performance. One of the reasons for this increase in performance could be related to procedural justice, since budgetary control enables subordinates to participate more in budgetary process, their perception of procedural justice is positively affected by budgetary control. Osoro (2011) in his study establishes how accurately budgets anticipate the level and direction of actual results. The analysis found out that budgetary practices in relief organization are clearly different from developmental organizations due the differences in donor funding and reporting requirements. It established that more stringent controls exist in relief programs than in developmental ones. It is established that more complex control techniques are required in developmental programs than in relief, programs due to close donor supervision and need for monthly accountability in the later as opposed to the former whose funding is not followed with strict reporting requirements. Several other factors were found to influence the lack of effective control in developmental organizations. Davis (2013) in his study of Fairview Park Hospital concludes that overall performance is not measured by the budgeting system in place, although it is a control method to maintain predetermined cost and spending limits for each department. It is also a control measure for shareholders to ensure decisions are made on full disclosure of knowledge within the hospitality facility system and to maintain guidelines for publicly traded corporations.

Gachithi (2010) also focussed on the factors that influence budget implementation in public institutions in Kenya, a case of University of Nairobi. He used descriptive method of study and concluded that there is ineffiency in the budget preparation procedures and that the budget process faces a lot of challenges. He concluded that budgets are strong planning tool for the future. Gacheru (2012) in her study on the effect of budgetary process on budget variances in NGOs in Kenya sought to determine the relationship between budgeting process and budget variances in Kenyan NGOs.Based on the population of 6,075 she used a sample of 20 to collect data and descriptive data analysis and concluded that budget preparation, control and implementation significantly influence budget variance. Obulemire (2016) conducted a survey of budgetary practices secondary schools where he found out that budget committee and interdepartmental discussions groups were the most used budgetary tools with less emphasis on brainstorming also found that failure to consider motivation of employees and participation by all staff in the budgetary process was a challenge. A survey conducted by Ambetsa (2014) of budgeting practices by commercial airlines, operating at Wilson airport, Nairobi indicated that the challenges faced were budget evaluation deficiencies, lack of full participation of all individuals in preparation of the budget together with lack of top management support. All enterprises make plans using budget, some in a systematic and formal way, while others in an informal manner, but still have some form of budgeting and budgetary control practice. Therefore the issue is not whether to prepare a budget, but rather how to do it effectively.

Muleri (2011) in his survey of budgeting practices among the major British Non Governmental development organizations have adopted budgetary approaches and philosophies that are modern and can act to reduce financial mismanagement. Budgets are used to achieve cost effectiveness, in planning, for operations, coordinating activities, motivating performance, communicating plans and operations and in evaluation and audits. The study revealed that budgets are normally prepared using such method as zero based or priority based budgeting. Adongo (2012) study sought to accomplish the following objectives; determine the salient features of budgetary controls in state corporations, establish the human factors within budgetary controls, establish the process of budgetary control in public organizations, and determine the challenges affecting budgetary control. The Relationship between budgetary control and financial performance was undertaken through carrying out a correlation analysis of the dependent and independent variables. Findings indicated that a positive relationship existed between budgetary control and financial performance of state corporations.

## 2.3 Theoretical Framework

### 2.3.1 Top down Theory of Budgeting

Top down Theory of budgeting emerged in 1990s as a response to fiscal crisis encountered in budget formulation. Under this theory, the central authority or top management echelon places ceiling on the resources to be made available to the units (Anderson, 1993). However, efforts are made to meet undiminished need of units so as to obtain a better performance from their operations Among the prerequisites for top down budget are willingness to defend fiscal rules and good monitoring by the budget office, ability to prioritize programmes by MDAs and adherence to rules and ceiling by legislature. Some of the benefits of this theory are; case of development, challenging the accounting officer of units to formulate efficient budget by setting optimal priorities, providing early guidance to budget planner thereby reducing or eliminating the need to cut budget. Top down theory arose mainly to cater for inefficient budget formulation arising from game playing between budget office and MDAS and the quest to attain effective fiscal consolidation of government programmes.

### 2.3.2 Bottom up Theory

Bottom up theory is a normative theory of budgeting propounded, according to Tucker (1985), by the early studies of Pyhrr in the early 1970s. It involves the collation of all the needs or requests of the different units of an organisation presented in form of estimates of fund required for their proposed activities which are summed up by the central authority to obtain the total budget for the coming fiscal year. In order words, the approach adopted in bottom up budget is best explain by Zero-Based-Budgeting method that starts with base of zero and calculate cost of running each programme from the scratch. While using the approach, each programme must be extensively reviewed to justify its inclusions in the budget. A distinguished feature of this theory is that it is applicable during prosperity. Bottom up theory permits extensive review of costs and benefits of programmes so as to prevent divisional heads from proposing weaker programmes and operating inefficiencies to the central authority. However, units of the organisation may be asking for what is actually not needed or more money than required.

## 3. METHODOLOGY

The study adopted a descriptive survey design. A descriptive study is concerned with determining the frequency with which something occurs or the relationship between variables. Thus, this approach was appropriate for this study, since the researcher intended to collect detailed information through descriptions and was useful for identifying variables and hypothetical constructs. This method provided descriptions of the variables in order to answer the research questions in the study. Survey design also allows comparisons between respondents giving the right perspective on their opinion towards the fringe benefits effects on performance. The choice of this technique was guided by the fact that the case study aims at generating findings, which would facilitate a general, understanding and interpretation of the problem. This study was carried out using top management, administrative and bursary staff of Nasco group, Jos, where the total population is 189. The researcher used stratified random sampling method of data collection since it is an unbiased sampling method of grouping heterogeneous populations into homogenous subsets then selecting within the individual subset to ensure representativeness. Thus, the sample size was estimated from the Smith (1984) sample size formula given as:

$$n = \frac{N}{3 + Ne^2}$$

Margin error = 5%

Where;

| | | |
|---|---|---|
| N | = | population size |
| 3 | = | is constant |
| e | = | is Margin of error (5%) |

$$n = \frac{189}{3 + 189(0.05)^2}$$

$$n = \frac{189}{3 + 189(0.0025)}$$

$$n = \frac{189}{3.4725}$$

$n$ = 54

A self-administered questionnaire was used in gathering the data. A five-point Likert scale of agree to disagree (that is, agreed, Disagree, undecided, strongly agreed and Strongly Disagreed) was used to measure the extent to which the various respondents agreed or disagreed with the issues raised. After collecting data from the respondents, the researcher started the process of data analysis by editing it and coding it along the main thematic areas to identify inconsistencies and establish uniformity. Data was compiled to facilitate entry of the responses into the computer.Qualitative data was coded along some common thematic areas, based on the frequency of the responses on issues under investigation. In addition, the study was conducted by use of multiple regression analysis. The regression equation was:

$$MOP = \beta_0 + \beta_1 PL + \beta_2 MC + \beta_3 PB + \mu_t \text{ - - - - - - - - - - } 1$$

Where;

| | | |
|---|---|---|
| MOP | = | Multinational organization performance |
| PL | = | Planning |
| MC | = | Monitoring and control |
| PB | = | Participative Budgeting |
| $\beta_0$ | = | the autonomous parameter estimate (Intercept or constant) |
| $\beta_1$ to $\beta_3$ | = | Parameter coefficients of Planning, Monitoring and control; and Participative Budgeting |
| $\mu_t$ | = | error term |

## 4. RESULTS AND DISCUSSION

The level of significance for the study is 5%, for a two-tailed test. The decision rule is that we shall accept the null hypothesis if the calculated t-value is less than the tabulated t-value of 1.96; otherwise reject the null hypothesis. More so, If the PV is less than 5% or 0.05 (that is PV < 0.05), it implies that the variable in question is statistically significant at 5% level; otherwise, it is not significant at that level.

**Table 1: Regression Result on budgeting planning and control process in multinational organization**

| ***Summary Statistics*** | |
|---|---|
| Multiple R | 0.8736 |
| R Square | 0.7631 |
| Adjusted R Square | 0.5225 |
| Standard Error | 2.6674 |
| Durbin-Watson stat | 1.9191 |
| Observations | 54 |
| ***ANOVA*** | |

| | ***Df*** | ***SS*** | ***MS*** | ***F**** | ***P-value*** | |
|---|---|---|---|---|---|---|
| Regression | 3 | 19041.20 | 19041.20 | 4.49 | 0.00010 | |
| Residual | 51 | 78497.3 | 2242.78 | | | |
| Total | 54 | 97538.5 | | | | |
| | | ***Regression Output*** | | | | |
| | *Coefficients* | *Standard Error* | *t-value* | *P-value* | *L-95%* | *U-95%* |
| Intercept | 1.12321 | 2.0051 | 2.2441 | 0.0242 | 1.5883 | 5.4640 |
| PL | 1.41142 | 0.6478 | 2.1785 | 0.0113 | 1.2230 | 2.7089 |
| MC | 2.58744 | 0.2014 | 2.7541 | 0.0021 | 2.2522 | 2.5241 |
| PB | 0.28851 | 0.1255 | 1.99220 | 0.0044 | 1.1422 | 2.2235 |

***Source: Authors Computation, 2018 (SPSS, 24)***

***The ANOVA F-statistic:*** The F-statistics which is used to examine the overall significance of regression model showed that the result is significant, as indicated by the value of the *F*-statistic, 4.49 and it is significant at the 5.0 per cent level. That is, the F-statistic P-value of 0.00010 is less than 0.05.

***The $R^2$ (R-square):*** The coefficient of determination (R-square), used to measure the goodness of fit of the estimated model, indicates that the model is reasonably fit in prediction. The $R^2$ (R-square) value of 0.7631 shows that budgeting planning and control process have a very good impact on multinational organization performance. It indicates that about 76.31 per cent of the variation in multinational organization is explained jointly by budgeting planning and control process, while the remaining unaccounted variation of 23.69 percent is captured by the white noise error term.

***Serial correlation: Durbin Watson (DW) statistic*** was used to test for the presence of serial correlation or autocorrelation among the error terms. The acceptable Durbin – Watson range is between 1.5 and 2.4. The model also indicates that there is no autocorrelation among the variables as indicated by Durbin Watson (DW) statistic of 1.91. This shows that the estimates are unbiased and can be relied upon for managerial decisions.

**Test of Hypotheses One:**

**H01:** Budget planning has no significant impact on multinational organization performance

From the regression result in Table 1, it was observed that the calculated t-value budget planningis 2.17 and whilst the tabulated value is 1.96. Since the calculated t-value is greater than the t-tabulated (2.17 > 1.96) it thus falls in the rejection region and hence, we reject the first null hypothesis (**$H0_1$**). The conclusion here is that budget planning has a significant impact on multinational organization performance**.**

**Test of Hypotheses Two:**

**H02:** Monitoring and control has no significant influence on multinational organization performance

Mores so, from the regression result in Table 1 the calculated t-value for monitoring and controlis 2.75 and the critical value is 1.96 under 95% confidence level. Since the t-calculated is greater than the tabulated t-value (2.75> 1.96) it also falls in the rejection region and hence, we reject the second null hypothesis (**$H0_2$**) and concluded that monitoring and control has a significant influence on multinational organization performance.

**Test of Hypotheses Three:**

**H03:** Participative budgeting has no significant impact on multinational organization performance

Lastly, from the regression result in Table 1, it was observed that the calculated t-value for participative budgetingis 1.99 and whilst the tabulated value is 1.96. Since the t-calculated is greater than the t-tabulated (1.99> 1.96) it thus falls in the rejection region and hence, we reject the third null hypothesis (**$H0_3$**). The conclusion here is that participative budgeting has a significant impact on multinational organization performance

### 4.1 Discussion of Findings

Findings from the study showed that budget planning has a significant impact on multinational organization performance. This is in line with Gachithi (2010) which study showed that budgets are strong planning tool for the future and impacts positively on the performance of forward looking organisations. In addition, monitoring and control have a positive and significant influence on multinational organization performance**.** This is expected in situations where budgetary control is high; participation makes positive contribution to performance. One of the reasons for this increase in performance could be related to procedural justice, since budgetary control enables subordinates to participate more in budgetary process, their perception of procedural justice is positively affected by budgetary control. Most Previous research have shown a high positive relationship between budget controls and performance, for example, Silva & Jayamaha (2012) found that budgetary control process has significant impact on performance of industry. Others like Brownel (2012) showed that budgetary control have direct effect on performance, while budgetary participation affects performance directly and negatively. But in case where budgetary control is high, there is a meaningful positive relation between performance and budgetary participation. Above all, findings from the study revealed that participative budgeting has a significant impact on multinational organization performance. This finding agrees with Pollanen (2010) whose study reveals that budgetary participation, control and task ambiguity directly affects performance positively but in situations where they combined interaction of variables, the effect differ.

## 5. CONCLUSION AND RECOMMENDATIONS

From the research study findings, budgetary planning and controls are seen as important tools in planning and control of resources to enhance performance in many organizations. An effective system of budgetary control manages to plan and control the use of resource in a systematic and logical manner. Financial objectives and constraints should be communicated to heads of budget centers and regular monitoring keeps management informed of progress towards objectives. The process of budgetary control should not only consider sector needs in the planning stage but also parameters within implementing organizations in order to facilitate sound financial standing. It can thus be concluded that budgeting planning and control process has a significant impact on the performance of multinational organization. From the above findings and in order for the multinational organization to operate profitably, they must take the following critical steps.

i. Adopt a budgetary system of adequate planning with strict adherence to implementation, that cuts across the finance, production, administration, marketing etc;
ii. The finance department should review all existing standards and introduce measures that will tighten the internal control system to prevent leakages of financial resources. Budgets/ budgetary control should be made the sole tool and mechanism for resource allocation and control. All resources needed for a project should be authorized by the budget of the organization, as this will enhance greater accountability and transparency in the organization.
iii. Lower level managers and staffs who are directly involved in the implementation of thebudget should be co-opted into the budget setting process to make it more participatory in nature. This willhelp the organization meet its target and thereby eliminating undue variances.

## References

Adongo, K.O. (2012).The Relationship between Budgetary Controls and Financial Performance of State cooperation in Kenya. *Unpublished MBA Project*: Kenyatta University.

Alesina, A. & Perotti, R. (2016). Reducing Budget Deficits. *Swedish Economic Policy Review, 3(1)*

Ambetsa, W.O.A. (2014). Survey of Budgeting Practices by Commercial Airlines operating at Wilson Airport. *Unpublished MBA Project*. University of Nairobi.

Anderson, R.E. (1993). Can stage-gate systems deliver the goods? Financial Executive, 9, 34-35.

Andreff (2013). Sustainable supply chain management practices and dynamic capabilities in the food industry: A critical analysis of the literature. International Journal of Production Economics, 152, 131-143. doi: 10.1016/j.ijpe.2013.12.026

Andrews, M. & Hill, H. (2013). The Impact of Traditional Budgeting Systems on the Effectiveness of Performance-Based Budgeting: A Different Viewpoint on Recent Findings. *International Journal of Public Administration*, 26(2).

Appleford, O. (2016). Improving Performance: The Adoption and Implementation of Quality Systems in U.K. Nonprofits. *Non-profit Management &Leadership*, 16(2), 135-151.

Arora, M.N. (2015). Cost Accounting, Principles and Practice (4th ed.). Vikas Publishing

Batty, J. (2016). Management Accounting includ-ing Financial Management and Control, Mac-donald and Evans.

Briston, R.J. (2011). Introduction to Accounting and Finance. London: Macmillan Publishers.

Brownell, P. (2012). The role if accounting data in performance evaluation, budgetary participation and organizational effectiveness. Journal of Accounting Research, 20, 12-17.

Brownell, P., & Dunk, A.S. (2014). Task Uncertainty and Its Interaction with Budgetary Participation and Budget Emphasis: Some Methodological Issues and Empirical Investigation. *Accounting, Organization & Society*.16 (8), 693-703.

Carolyne, M., Callahan, Waymire & Renea, T. (2017).An Examination of the Effects of Budgetary Control on Performance: Evidence from the cities.AAA 2008 MAS Meeting Paper. http://ssrn.com/abstract=1003930.

Dimock, O. (2015).Accounting for Non-Accounting Students (5th ed).London: Prentice Hall.

Drury, C. (2016), Cost and Management Accounting (6th ed). Boston Irwin. McGraw-Hill, 422-471.

Falk, S. (2014). When Budgeting, Focus on Value: Nine Strategies for Value Basing. Public Management.

Gacheru, A.N. (2012).The effect of budgeting process on Budget Variance in NGOs in Kenya. Unpublished MBA Project. University of Nairobi.

Gachithi, E. (2010).The Challenges of budget implementation in Public Institutions: A case study of University of Nairobi. Unpublished MBA Project. University of Nairobi.

Hill, C.W.L. (2015). International business: Competing in the global marketplace. 5th Edition. New York: McGraw-Hill Companies Inc

Hirst, M.K. (2017). The Effects of Setting Budget Goals and Task Uncertainty on Performance: A Theoretical Analysis. The Accounting Review, 62(4), 774-784.

Hokal, A. & Shaw K.E. (1999) .Managing progress monitoring in United Arab Emirate schools. *International Journal of Educational Management*, 13 (4), 173 –179.

Kim, 2010). “Subcontracting relationships of Indian SMEs with global TNCs: Do SMEs gain, How” Journal of Asian Economics, 5 (39).

Kogut, B. & Zander, U. (2013). A Memoir and Reflection: Knowledge and an Evolutionary Theory of the Multinational Firm. *Journal of International Business Studies*, 505-515.

Muleri, M. A. (2011).A survey of budgeting practices among the major British Non-Governmental Organizations in Kenya. Unpublished MBA Project. University of Nairobi.

Obulemire, T. A. (2016).A survey of budgeting practices in secondary schools: A case of public secondary schools in Nairobi. Unpublished MBA Project.University of Nairobi.

Okwandu, O., & Jaja, K.L. (2011).The impact of multinational corporations on the Nigerian economy. European Journal of Social Sciences,19 (3).

Osoro, P.M. (2011). Budgetary Control in NGOs in Kenya: A Case of World Vision. Unpublished MBA Project. University of Nairobi.

Osuagwu G.O & Ezie O. (2013). Multinational Corporations and the Nigerian Economy. *International Journal of Academic Research in Business and Social Sciences 3*( 4).

Otley, D.T. & Pollanen, R.M. (2015).Budgetary Criteria in Performance Evaluation: A Critical Appraisal Using New Evidence. Accounting, Organization &Society, 25(4/5), 483-496.

Otley, S. (2017). Budget Use and Management Performance. Journal of Accounting Research, 16(1).

Pandy, I.M., (2015), “Element of Management Accounting”, Vikas Publishing House Limited

Phyrr, P. (2010). Zero Base Budgeting: A Practical Management Tour Tool for Evaluating Expenses”. New York: John Wiley.

Scott, W.R. (2017). Information Processing: Creating Organizations. Englewood Cliffs, NJ: Prentice Hall.

Selznick, P. (2008). Foundations of the Theory of Organizations. American Sociology Review, 25-35.

Sizer, J. (2009). An insight into Management accounting (3rd ed). Penguin Books Limited.

Spero, J.& Hart, J. (2013).The Politics of International Economic Relations, London Thompson Wadsworth

Tucker, M.O. (1985). Management Accounting and Costing, New York, DP Publications